HUA YI COPPER HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 559

Annual Report 2012

Contents

Corporate Information

DIRECTORS

Executive Directors

WONG Hin Shek *(Chairman)*
CHI Chi Hung, Kenneth *(Chief Executive Officer)*

Independent Non-Executive Directors

CHIU Wai On
MAN Kwok Leung
WONG Yun Kuen

COMPANY SECRETARY

CHI Chi Hung, Kenneth

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 904, 9th Floor, Wings Building
110–116 Queen's Road Central
Central
Hong Kong

STOCK CODE

0559

WEBSITE

www.559.com.hk

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISER

D.S. Cheung & Co.
29th Floor, Bank of East Asia Harbour View Centre
55 Gloucester Road
Wanchai
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

Bank of Communications Co., Ltd.
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hong Kong and Shanghai Banking Corporation Limited

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Hua Yi Copper Holdings Limited (the "Company"), together with its subsidiaries, (the "Group"), I am pleased to present the annual report of the Company for the year ended 30 June 2012.

REVIEW AND PROSPECT

The key segments of the Group are the cable and wires business, copper rod business and listed securities investments. For the financial year 2012, the Group recorded total revenue of HK$312 million, representing an 18% decrease with that of last year. Loss attributable to shareholders enlarged to HK$53 million as compared to HK$47 million last year. Basic loss per share was HK1.77 cents. Throughout the financial year 2012, in view of the European debt crisis and United States economic recovery slowdown, the economic performance in Hong Kong and China was severely affected. Domestically, the slackened economy and inflation exist side by side, which in turn affected the consumer confidence and demand in the domestic and electronic appliances industry. Moreover, the global equity market remained volatile, resulting our Group recorded a fair value loss on listed securities of approximately HK$92 million in current year.

The Group adhered to the principle of prudent financial management. The Board would continue to review its overall strategy and explore means to broaden income sources in order to improve the performance and maximise the returns of shareholders under the tough market environment.

APPRECIATION

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere appreciation to our staff for their dedication and commitment as well as to our valued shareholders, customers, suppliers and other business partners for their support and encouragement to the Group in the past year.

Wong Hin Shek
Chairman

Hong Kong, 25 September 2012

Management Discussion and Analysis

FINANCIAL RESULTS

For the year ended 30 June 2012, the Group recorded a turnover of approximately HK$312 million, representing a decrease of 18% over the HK$379 million for the corresponding period last year. Loss attributable to shareholders was approximately HK$53 million (2011: HK$47 million). Basic loss per share was approximately HK1.77 cents (2011: HK1.60 cents).

BUSINESS REVIEW

During the year under review, the Group was principally engaged in three segments, (i) cable and wires business; (ii) copper rods business and (iii) investment in listed securities. Each of the cable and wires business, copper rods business and listed securities investments contributed 56.2%, 43.7% and 0.1% of the Group's total turnover respectively. The loss for the year has been enlarged as compared with that of last year. It was mainly due to the absence of the one-off gain on disposal of a subsidiary in last year; and the loss in fair value of listed securities as a result from the recent less favorable conditions of the global market.

Cable and Wires Business

The cable and wires business is the largest business segment of the Group. The major customers are primarily manufacturers of domestic appliances and electronic appliances. Due to the recent deterioration in the global macro economic environment and the decline in domestic demands in China, the consumer confidence and the entire domestic appliances industry were significantly impacted. For the year 2012, the turnover decreased by 21% to HK$175 million. The segment profit of was reduced from approximately HK$2.7 million in the year 2011 to approximately HK$2.0 million in the year 2012.

Copper Rods Business

The copper rods business covers the manufacturing and trading of copper rods and copper wires used primarily in producing copper wires and cables for electrical products and infrastructure facilities. In view of the downward trend in copper prices in the international market during the current year under review, this business segment recorded a 13% decrease in turnover to approximately HK$136 million. Also, considering that certain equipment, furniture and fixtures items and plant and machinery items were under-utilised and damaged, which were not cost-effective to incur additional repair and maintenance costs. Provision for impairment loss of approximately HK$4.9 million (2011: HK$1.8 million) was recognised in the current year, and thus the segment loss enlarged to HK$8.8 million as compared to that of HK$3.3 million last year.

Listed Securities Investments

Starting from year 2011, the Group has diversified its business into securities market. As at 30 June 2012, the Group managed a portfolio of listed securities with fair value of approximately HK$134 million. The global equity market is unstable throughout the financial year. Accordingly, the trading securities recorded a revaluation loss of approximately HK$92 million in current year.

Management Discussion and Analysis

PROSPECTS

Looking ahead, the global economy remains sluggish and the business environment is full of challenges and uncertainties, it is expected that the global market will remain volatile in 2012. The Group will deploy appropriate operation strategies to meet the challenges posed by the increasingly intricate market conditions. At this stage, the Group will continue to focus on manufacturing and trading of cables and wire and copper rod products in the domestic market. Meanwhile, the Group will strive to implement the business diversification strategy to broaden income sources with an aim to maximise the returns for shareholders. During the year, the Group has obtained the money lender license and may anticipate in this business sector so as to diversify the business.

FINAL DIVIDEND

The Board of the Company resolved not to pay any final dividend for the year ended 30 June 2012 (2011: HK$Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group had cash and bank balances amounting to approximately HK$288 million (2011: HK$308 million) and net current assets value was approximately HK$440 million (2011: HK$481 million). The Group's gearing ratio as at 30 June 2012 was 0.11 (2011: 0.16), being a ration of total debts, including the borrowings and the warrants under derivative financial liabilities of approximately HK$65 million (2011: HK$105 million) to the shareholders' fund of approximately HK$589 million (2011: HK$640 million).

As at 30 June 2012, the Group had pledged certain property, plant and equipment and prepaid lease payments for land with aggregate carrying value of approximately HK$62 million (2011: HK$64 million) to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no significant contingent liabilities.

FOREIGN CURRENCY RISK

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, United States dollars and Renminbi, which are the functional currencies of respective group companies. The Group does not expect any significant exposure to foreign currency risks.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the Group had approximately 500 employees in Hong Kong and the PRC. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

Directors' Profile

EXECUTIVE DIRECTORS

Mr. Wong Hin Shek, aged 42, has been appointed as the Chairman and executive director of the Company since July 2009. Mr. Wong has extensive experience in finance, operation and strategic investment of listed companies in Hong Kong. He worked in a number of reputable investment banks and the Listing Division of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Wong is also a responsible officer of Veda Capital Limited, a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. Mr. Wong holds a Master of Science (Financial Management) degree from University of London in United Kingdom and a Bachelor of Commerce degree from University of Toronto in Canada. Mr. Wong is currently an executive director of Climax International Company Limited (stock code: 439). He was an executive director of Kingston Financial Group Limited (stock code: 1031) from February 2005 to April 2011 and Interchina Holdings Company Limited (stock code: 202) from October 2011 to August 2012.

Mr. Chi Chi Hung, Kenneth, aged 43, has been appointed as the Chief Executive Officer and the executive director of the Company since January 2010. Mr. Chi has over 20 years of experience in accounting and financial control area. He holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chi is currently an executive director of China Grand Forestry Green Resources Group Limited (stock code: 910), M Dream Inworld Limited (stock code: 8100) and Morning Star Resources Limited (stock code: 542). He is also an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), Aurum Pacific (China) Group Limited (stock code: 8148), China Natural Investment Company Limited (stock code: 8250), Perfect Shape (PRC) Holdings Limited (stock code: 1830) and Sam Woo Holdings Limited (stock code: 2322). He was an independent non-executive director of Interchina Holdings Company Limited (stock code: 202) from October 2011 to August 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Wai On, aged 42, joined the Company since June 2009. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chiu possesses over 10 years of professional experience in accounting and auditing services. Mr. Chiu is also an independent non-executive director of New Times Energy Corporation Limited (stock code: 166).

Mr. Man Kwok Leung, aged 65, joined the Company since May 2009. He is a solicitor of the High Court of Hong Kong and a civil celebrant of marriages. Mr. Man has extensive experience in the legal practice. He had been appointed by Xinhua News Agency as a district advisor from 1995 to 1997. He is currently appointed as a director of Apleichau Kai Fong Primary School, the deputy chairman of Apleichau Kai Fong Welfare Association, the secretary of Apleichau Promotion of Tourism Association and the honorary legal advisor of Junior Police Officers' Association. Mr. Man is currently an independent non-executive director of Kong Sun Holdings Limited (stock code: 295), Climax International Company Limited (stock code: 439) and Sam Woo Holdings Limited (stock code: 2322). He was an independent non-executive director of ZMAY Holdings Limited (stock code: 8085) from November 2009 to September 2012.

Dr. Wong Yun Kuen, aged 55, joined the Company since June 2009. He received his Ph.D. degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited (stock code: 768), and an independent non-executive director of Harmony Asset Limited (stock code: 428), Bauhaus International (Holdings) Limited (stock code: 483), Kaisun Energy Group Limited (stock code: 8203), China Yunnan Tin Minerals Group Company Limited (stock code: 263), Kong Sun Holdings Limited (stock code: 295), Kingston Financial Group Limited (stock code: 1031), Climax International Company Limited (stock code: 439), China Grand Forestry Green Resources Group Limited (stock code: 910), New Island Printing Holdings Limited (stock code: 377) and Sincere Watch (Hong Kong) Limited (stock code: 444). Harmony Asset Limited is also listed on Toronto Stock Exchange. Dr. Wong was an independent non-executive director of Superb Summit International Timber Company Limited (stock code: 1228) from April 2007 to June 2010 and China E-Learning Group Limited (stock code: 8055) from August 2007 to June 2010, ZMAY Holdings Limited (stock code: 8085) from November 2009 to September 2012 and an executive director and chairman of Green Energy Group Limited (stock code: 979) from December 2009 to May 2010.

SENIOR MANAGEMENT

The Executive Directors of the Company are also members of senior management of the Group.

Corporate Governance Report

CORPORATE GOVERNANCE PRINCIPLES

The Group is committed to establishing and maintaining high standards of corporate governance. The Board has adopted the code provisions in the Code on Corporate Governance Practices (the "former Code"), which was revised and renamed as the Corporate Governance Code (the "CG Code") on 1 April 2012, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of the Company (the "Code").

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout financial year ended 30 June 2012, the Company has complied with the former Code for the period from 1 July 2011 to 31 March 2012 and the CG Code for the period from 1 April 2012 to 30 June 2012 except for the deviation from code provision A.4.1 which is explained below.

Code provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The existing Independent Non-executive Directors were not appointed for a specific term as required under code provision A.4.1 of the CG Code but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company has good corporate governance practices.

The Company periodically reviews its corporate governance practices in order to comply with the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by Directors. The Company has made specific enquiries and all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board comprises five Directors, with two Executive Directors, Messrs. Wong Hin Shek (the Chairman) and Chi Chi Hung, Kenneth (the Chief Executive Officer) and three Independent Non-executive Directors, Messrs. Chiu Wai On, Man Kwok Leung and Dr. Wong Yun Kuen. Biographical information of the Directors is set out in the section "Directors' Profile" of this annual report.

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. Directors take decisions objectively in the interests of the Company. Some functions including, inter alia, monitor and approval of material transactions, matters involving conflict of interest for a substantial shareholder or director of the Company, the approval of the interim and annual results, other disclosures to the public or regulators and the internal control system are reserved by the Board and the decisions relating to such matters shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the Chief Executive Officer.

The Board meets regularly throughout the financial year. All Directors are given the opportunity to put items on the agenda for regular Board meetings. All Directors have access to the Company Secretary to ensure that all Board procedures and rules and regulations are followed. Full minutes of Board meetings are kept by the Company Secretary and are available for inspection on reasonable notice. Any Director may, in furtherance of his/her duties, take independent professional advice where necessary at the expense of the Company.

Corporate Governance Report

Each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

All the Directors do not have any financial, business, family or other material/relevant relationship with each other.

During the financial year, 6 Board meetings and 2 general meetings were held and the attendance record of each Directors is set out below:

	Attendance/eligible to attend	
	Board Meeting	**General Meeting**
Executive Directors		
Wong Hin Shek	6/6	2/2
Chi Chi Hung, Kenneth	6/6	1/2
Independent Non-executive Directors		
Chiu Wai On	6/6	2/2
Man Kwok Leung	6/6	2/2
Wong Yun Kuen	6/6	1/2

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company is Mr. Wong Hin Shek whereas the Chief Executive Officer of the Company is Mr. Chi Chi Kung, Kenneth. Their roles are separated, with a clear division of responsibilities. The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

BOARD COMMITTEES

The Board has established three committees, namely, Remuneration Committee, Nomination Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. Details of which are set out below. All Board committees of the Company are established with defined written terms of reference which are available on the Company's website and the Stock Exchange's website.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee of the Company comprises three Independent Non-executive Directors, Messrs. Chiu Wai On (Chairman of the Remuneration Committee), Man Kwok Leung and Dr. Wong Yun Kuen. The primary duties of the Remuneration Committee are to (i) make recommendations to the Board on the policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for remuneration policy; (ii) make recommendations to the Board on the remuneration packages of individual executive directors, non-executive directors and senior management; and (iii) review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment. The Remuneration Committee shall meet at least once a year. Two meetings were held during the financial year, the attendance record of each member is set out below:

	Attendance/eligible to attend
Committee Member	
Chiu Wai On *(Chairman)*	2/2
Man Kwok Leung	2/2
Wong Yun Kuen	2/2

Summary of works

During the year, the Remuneration Committee reviewed the remuneration packages of the Directors and the senior management and made recommendations to the Board on the remuneration of an Independence Non-executive Directors in accordance with the Remuneration Committee's written terms of reference.

Nomination Committee

The Nomination Committee was established on 27 March 2012. It comprises three Independent Non-executive Directors, Messrs. Chiu Wai On (Chairman of the Nomination Committee), Man Kwok Leung and Dr. Wong Yun Kuen. The primary duties of the Nomination Committee are to (i) review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board; (ii) identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive directors; and (iv) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. The Nomination Committee shall meet a least once a year.

Since the Nomination Committee was established on 27 March 2012, there was no meeting in the rest of the year ended 30 June 2012.

Summary of works

During the year, there was no nomination of candidate for directorship of the Company. Prior to establishment of the Nomination Committee, the Board determined and reviewed the policy for the nomination of Directors and adopted the relevant nomination procedures and criteria.

Audit Committee

The Audit Committee of the Company comprises three Independent Non-executive Directors, Messrs. Chiu Wai On (Chairman of the Audit Committee), Man Kwok Leung and Dr. Wong Yun Kuen. The primary duties of the Audit Committee are to (i) review the Group's financial reporting system, the nature and scope of audit review; (ii) review the effectiveness of the system of internal control procedures and risk management; (iii) make recommendations in relation to the appointment, reappointment and removal of the external auditors; and (iv) review and monitor the external auditors' independence and objectivity. In addition, the Audit Committee discusses matters raised by the external auditors and regulatory bodies to ensure that appropriate recommendations are implemented. The Audit Committee shall meet at least twice a year. Two meetings were held during the financial year, the attendance record of each member is set out below:

	Attendance/eligible to attend
Committee Member	
Chiu Wai On *(Chairman)*	2/2
Man Kwok Leung	2/2
Wong Yun Kuen	2/2

Summary of works

During the year, the Audit Committee reviewed the interim and annual results with the external auditors and reviewed the system of internal control and its other duties in accordance with the Audit Committee's written terms of reference.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties as set out in the terms of reference equivalent to code provision D.3.1 of the CG Code. During the year, the policies of the corporate governance of the Company were reviewed by the Board. In March 2012, certain new and revised policies were adopted by the Board to cope with the amendments in the Listing Rules and the CG Code.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company. In preparing the financial statements for the year ended 30 June 2012, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statement of the Company is set out in the "Independent Auditor's Report" of this annual report.

Corporate Governance Report

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise out the corporate activities, which has been complied with the CG Code. The insurance coverage is reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged at the expenses of the Company where necessary.

From 1 April 2012 to the year ended 30 June 2012, each of the Director has participated in continuous professional development by attending seminars and/or studying materials relevant to director's duties and responsibility. Their training records have been provided to the Company.

COMPANY SECRETARY

The Company Secretary, Mr. Chi Chi Hung, Kenneth, is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of directors.

During the year under review, Mr. Chi has attended relevant professional seminars to update his skills and knowledge. He met the training requirement set out in Rule 3.29 of the Listing Rules.

AUDITOR'S REMUNERATION

The remuneration in respect of audit and non-audit services for the year ended 30 June 2012 provided by the Company's auditor, BDO Limited, are as follows:

	HK$'000
Audit services	550
Non-audit services	100
Total	650

SHAREHOLDERS' RIGHTS

(I) Convene a Special General Meeting

Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company can at all times submit a signed written requisition, specifying the purpose, to the Board or the Company Secretary to require the convening of a special general meeting ("SGM"); and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, themselves may convene a SGM, but any SGM so convened shall not be held after the expiration of three months from twenty-one days of the deposit.

(II) Send Enquiries to the Board

Enquiries of shareholders can be sent to the Company either by email at 559.enquiry@559.com.hk or by post to the Company's Hong Kong head office at Unit 904, 9th Floor, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong. Shareholders can also make enquiries with the Board directly at the general meetings.

(III) Make Proposals at General Meetings

Shareholders representing not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the general meeting or who are no less than 100 shareholders can submit a written requisition to the Board or the Company Secretary to propose a resolution at a general meeting. The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the general meeting and contain the signatures of all the requisitionists (which may be contained in one document or in several documents in like form). Such requisition must be deposited at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda not less than six weeks before the general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition and be accompanied by a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules.

INVESTOR RELATIONS

The Company considers effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings.

During the year ended 30 June 2012, there has not been any change in the Company's constitutional documents. A consolidated version of the Company's constitutional documents is available on the Company's website and the Stock Exchange's website.

INTERNAL CONTROL

The Board ensures the maintenance of sound and effective internal controls to safeguard the shareholder's investment and the assets of the Company. It has been an important duty of the Directors to conduct a review of the effectiveness of the system of internal control of the Group annually or at anytime necessary. The review covers all material controls, including financial, operational and compliance controls, as well as risk management functions. For the year under review, the Board has through the Audit Committee, reviewed and reached the conclusion that the Group's internal control system was in place and effective.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 16 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2012 are set out in the consolidated statement of comprehensive income on page 21.

The Board resolved not to pay any final dividend for the year ended 30 June 2012.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial periods is set out on page 76.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in Note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's distributable reserves as at 30 June 2012 was HK$Nil (2011: HK$Nil).

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Wong Hin Shek *(Chairman)*
Mr. Chi Chi Hung, Kenneth *(Chief Executive Officer)*

Independent non-executive Directors:

Mr. Chiu Wai On
Mr. Man Kwok Leung
Dr. Wong Yun Kuen

Directors' Report

In accordance with bye-law 87 of the Company's Bye-laws, Mr. Chiu Wai On and Mr. Man Kwok Leung will retire as Directors by rotation and being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

Independent Non-executive Directors are not appointed for a specific term and are subject to retirement by rotation in accordance with the above Bye-law.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS IN SECURITIES OF THE COMPANY

As at 30 June 2012, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Long positions in the shares of the Company

Name of director	Capacity in which the shares are held	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Wong Hin Shek	Beneficial owner/ corporate interest	243,619,125 *(Note)*	8.13%
Mr. Chi Chi Hung, Kenneth	Beneficial owner	23,000,000	0.77%

Note: Out of 241,279,125 Shares are beneficially owned by Intense Rise Holdings Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Mr. Wong Hin Shek. By virtue of the SFO, Mr. Wong Hin Shek is deemed to be interested in the shares held by Intense Rise Holdings Limited. He also had a personal interest of 2,340,000 Shares, representing 0.08% of the issued share capital of the Company.

Save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES OF THE COMPANY

As at 30 June 2012, the following shareholders (other than the Directors or the chief executive of the Company) had an interest or short positions in the shares or underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO and were directly or indirectly interest in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group were as follows:

Long positions in the shares of the Company

Name of substantial shareholder	Capacity in which the shares are held	Number of ordinary shares held	Percentage of the issued share capital
Intense Rise Holdings Limited *(Note)*	Beneficial owner	241,279,125	8.05%

Note: These Shares are beneficially owned by Intense Rise Holdings Limited, a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Mr. Wong Hin Shek. By virtue of the SFO, Mr. Wong Hin Shek is deemed to be interested in the shares held by Intense Rise Holdings Limited.

Save as disclosed above, no person other than the Directors or the chief executive of the Company, whose interests are set out in the paragraph headed "Directors' and the chief executive's interests in securities of the Company", and Shareholders, whose interests are set out in the paragraph headed "Substantial Shareholders' and other persons' interests in securities of the Company" above, had registered an interest or short position in the shares or underlying shares that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 June 2012, the five largest customers of the Group together accounted for approximately 39%, with the largest customer accounted for approximately 10% of the Group's total turnover. The five largest suppliers of the Group together accounted for approximately 83%, with the largest supplier accounted for approximately 65% of the Group's total purchases during the year.

To the best of the Directors' knowledge, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

SHARE OPTIONS

The share option scheme (the "Share Option Scheme") was adopted by the Company on 4 December 2003, which replaced its old share option scheme adopted in 1996. Particulars of these share option schemes are set out in Note 34 to the consolidated financial statements.

The following table discloses movements in the Company's Share Option Scheme during the year:

For the year ended 30 June 2012

					Number of share options				
Capacity	Date of grant	Exercisable period	Vesting period	Exercise price	Outstanding at 1.7.2011	Granted during the year	Exercised during the year	Outstanding at 30.6.2012	Notes
Others	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	10,000,000	—	—	10,000,000	1
Others	19 October 2010	20 October 2010 to 19 October 2013	Immediate on the grant date	0.163	234,190,000	—	—	234,190,000	2
					244,190,000	—	—	244,190,000	

Notes:

1. The weighted average closing price of the shares immediately before the dates on which share options were exercised during the prior year was HK$0.173 per share.

2. Both the closing price of the shares on the date of grant and the weighted average closing price of the shares for the five business days immediately before the date of grant were HK$0.163 per share.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as mentioned above, at no time during the year was the Company or its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company has complied throughout the year with the CG Code, except for the deviations from code provision A.4.1. Details are set out in the "Corporate Governance Report" of this annual report.

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all the Directors confirmed they have complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the year ended 30 June 2012.

The Company has received, from each of the Independent Non-executive Director, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers each of the Independent Non-executive Director to be independent.

Directors' Report

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors of the Company. The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee has reviewed the audited results for the year ended 30 June 2012 and agreed with the accounting treatment adopted. The Audit Committee is satisfied with the Group's internal control procedure and financial reporting disclosures.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 June 2012.

PRE-EMPTIVE RIGHTS

There are no provisions for the exercise of any pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONNECTED TRANSACTIONS

Related party transactions entered by the Group during the year ended 30 June 2012, which do not constitute connected transactions in accordance with the requirements of the Listing Rules, are disclosed in Note 36 to the consolidated financial statements.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emolument of the Directors is determined by the Board after recommendation from the Remuneration Committee, having regard to the Company's operating results and individual performance.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible parties, details of the scheme are set out in Note 34 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events after the reporting period.

AUDITOR

BDO Limited shall retire and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Wong Hin Shek
Chairman and Executive Director

Hong Kong, 25 September 2012

Independent Auditor's Report

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TO THE SHAREHOLDERS OF HUA YI COPPER HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Hua Yi Copper Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 75, which comprise the consolidated and company statements of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Lam Siu Fung
Practising Certificate number: P05308

Hong Kong, 25 September 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	6	**311,872**	379,087
Cost of sales		**(297,630)**	(363,295)
Gross profit		**14,242**	15,792
Interest income		**11,118**	9,604
Other income		**2,456**	2,571
General and administrative expenses		**(19,178)**	(33,346)
Selling and distribution expenses		**(3,145)**	(2,815)
Finance costs	9	**(4,641)**	(6,504)
Impairment loss on loan receivable	21	**(10,226)**	—
Impairment loss on other receivable	30	**—**	(35,850)
Impairment loss on property, plant and equipment and prepaid lease payments for land	14,15	**(4,949)**	(1,800)
Gain on disposal of a subsidiary	30	**—**	41,944
Fair value adjustment on warrants classified as derivative financial instruments at issue date and change in fair value of derivative financial instruments, net	22	**18,222**	(18,043)
Change in fair value of financial assets at fair value through profit or loss	23	**(91,771)**	(13,775)
Change in fair value and gain on maturity of convertible note designated as at fair value through profit or loss	17	**35,083**	(3,983)
Loss before taxation		**(52,789)**	(46,205)
Taxation	10	**(308)**	(514)
Loss for the year	7, 11	**(53,097)**	(46,719)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**2,108**	10,071
Total comprehensive income for the year		**(50,989)**	(36,648)
Loss per share:	13		
— Basic		**(1.77) HK cents**	(1.60) HK cents
— Diluted		**(1.77) HK cents**	(3.07) HK cents

Consolidated Statement of Financial Position

At 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	14	**131,679**	149,440
Prepayments for acquisition of property, plant and equipment and exploration and evaluation asset	14	**7,650**	341
Prepaid lease payments for land	15	**9,934**	10,051
Total non-current assets		**149,263**	159,832
Current assets			
Inventories	18	**26,471**	28,345
Debtors, other receivables, deposits and prepayments	19	**49,241**	79,327
Bills receivable	20	**14,065**	16,173
Loans receivable	21	**19,338**	86,051
Derivative financial assets	22	**—**	68
Prepaid lease payments for land	15	**240**	237
Convertible note designated as at fair value through profit or loss	17	**—**	4,917
Financial assets at fair value through profit or loss	23	**134,045**	95,086
Bank balances and cash	24	**288,212**	307,678
Total current assets		**531,612**	617,882
Current liabilities			
Creditors, other advances and accruals	25	**25,818**	31,687
Borrowings	26	**62,195**	83,855
Taxation		**398**	650
Derivative financial liabilities	22	**2,948**	20,999
Total current liabilities		**91,359**	137,191
Net current assets		**440,253**	480,691
Total assets less current liabilities		**589,516**	640,523
Non-current liabilities			
Deferred tax liabilities	27	**724**	742
Total non-current liabilities		**724**	742
Net assets		**588,792**	639,781

Consolidated Statement of Financial Position

At 30 June 2012

	Note	2012 HK$'000	2011 HK$'000
EQUITY			
Capital and reserves			
Share capital	28	**149,771**	149,771
Reserves		**439,021**	490,010
Equity attributable to owners of the Company and total equity		**588,792**	639,781

These consolidated financial statements were approved and authorised for issue by the board of directors on 25 September 2012 and are signed on its behalf by:

Wong Hin Shek	**Chi Chi Hung, Kenneth**
Director	*Director*

Statement of Financial Position

At 30 June 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Interests in subsidiaries	16	**410,558**	427,191
Property, plant and equipment	14	**1,985**	2,556
Prepayment for acquisition of property, plant and equipment	14	**—**	341
Total non-current assets		**412,543**	430,088
Current assets			
Debtors, other receivables, deposits and prepayments		**243**	—
Bank balances and cash	24	**39**	42
Total current assets		**282**	42
Current liabilities			
Accruals		**600**	1,084
Derivative financial liabilities	22	**2,905**	20,999
Amounts due to subsidiaries	16	**185**	185
Total current liabilities		**3,690**	22,268
Net current liabilities		**(3,408)**	(22,226)
Net assets		**409,135**	407,862
EQUITY			
Capital and reserves			
Share capital	28	**149,771**	149,771
Reserves	29	**259,364**	258,091
Total equity		**409,135**	407,862

These financial statements were approved and authorised for issue by the board of directors on 25 September 2012 and are signed on its behalf by:

Wong Hin Shek
Director

Chi Chi Hung, Kenneth
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note (a))	Exchange reserve HK$'000 (Note (b))	Statutory reserve fund HK$'000 (Note (c))	Special reserve HK$'000 (Note (d))	Share option reserve HK$'000 (Note (e))	Accumulated losses HK$'000	Total attributable to owners of the Company HK$'000
At 1 July 2010	140,511	417,567	340,932	19,685	14,005	(43,246)	15,105	(273,881)	630,678
Loss for the year	—	—	—	—	—	—	—	(46,719)	(46,719)
Other comprehensive income	—	—	—	10,071	—	—	—	—	10,071
Total comprehensive income for the year	—	—	—	10,071	—	—	—	(46,719)	(36,648)
Issue of new shares upon exercise of share options *(Note 28)*	9,260	20,000	—	—	—	—	—	—	29,260
Transfer upon exercise of share options *(Note 28)*	—	14,331	—	—	—	—	(14,331)	—	—
Recognition of equity-settled share-based payment transactions *(Note 34)*	—	—	—	—	—	—	16,491	—	16,491
At 30 June 2011	149,771	451,898	340,932	29,756	14,005	(43,246)	17,265	(320,600)	639,781

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note (a))	Exchange reserve HK$'000 (Note (b))	Statutory reserve fund HK$'000 (Note (c))	Special reserve HK$'000 (Note (d))	Share option reserve HK$'000 (Note (e))	Accumulated losses HK$'000	Total attributable to owners of the Company HK$'000
At 1 July 2011	149,771	451,898	340,932	29,756	14,005	(43,246)	17,265	(320,600)	639,781
Loss for the year	—	—	—	—	—	—	—	(53,097)	(53,097)
Other comprehensive income	—	—	—	2,108	—	—	—	—	2,108
Total comprehensive income for the year	—	—	—	2,108	—	—	—	(53,097)	(50,989)
At 30 June 2012	149,771	451,898	340,932	31,864	14,005	(43,246)	17,265	(373,697)	588,792

Notes:

(a) In prior years, the Group undertook capital reorganisations resulting in the elimination of: (i) the share premium account of the Company with a balance of HK$260,881,000 as at 30 September 2005 against accumulated losses of HK$88,157,000 as at that date with the remaining balance of HK$172,724,000 credited to contributed surplus of the Company; and (ii) share capital of the Company of HK$168,208,000 which was credited to contributed surplus of the Company.

(b) Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(c) According to articles of association of the Group's subsidiary operating in the People's Republic of China (the "PRC"), the subsidiary is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory reserve fund until the reserve balance reaches 50% of the respective registered capital. The transfer to this reserve must be made before distribution of dividend to equity holders of the PRC subsidiary.

(d) The special reserve arose from the business combination carried out by the Company in 2004, which was accounted for as a reverse acquisition. Details of the transaction were set out in the circular of the Company dated 14 June 2004.

(e) Share option reserve represents the grant-date fair value of the actual or estimated number of unexercised share options granted to the eligible parties.

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	2012 HK$'000	2011 HK$'000
Loss before taxation	**(52,789)**	(46,205)
Adjustments for:		
Interest income	**(11,118)**	(9,604)
Finance costs	**4,641**	6,504
Impairment loss on loan receivable	**10,226**	—
Impairment loss on other receivable	**—**	35,850
Impairment loss on property, plant and equipment	**4,949**	1,720
Impairment loss on prepaid lease payments for land	**—**	80
Gain on disposal of a subsidiary	**—**	(41,944)
Fair value adjustment on warrants classified as derivative financial instruments at issue date and change in fair value of derivative financial instruments, net	**(18,222)**	18,043
Change in fair value of financial assets at fair value through profit or loss	**91,771**	13,775
Change in fair value and gain on maturity of convertible note designated as at fair value through profit or loss	**(35,083)**	3,983
Depreciation of property, plant and equipment	**15,101**	13,977
Charge of prepaid lease payments for land	**240**	232
(Reversal of allowance for doubtful debts)/impairment loss on trade debtors, net	**(1,090)**	1,179
Share-based payments expense	**—**	16,491
Loss on disposal of property, plant and equipment	**291**	—
Operating profit before working capital changes	**8,917**	14,081
Decrease/(increase) in inventories	**1,874**	(6,903)
Decrease/(increase) in debtors, other receivables, deposits and prepayments	**31,365**	(8,017)
Decrease in other receivable	**—**	2,112
Decrease/(increase) in bills receivable	**2,108**	(5,334)
Acquisition of financial assets at fair value through profit or loss	**(130,730)**	(105,232)
Decrease in creditors, other advances and accruals	**(5,869)**	(13,223)
Cash used in operations	**(92,335)**	(122,516)
Hong Kong profits tax paid	**(339)**	(1,453)
Taxation in Mainland China paid	**(324)**	(836)
Net cash used in operating activities	**(92,998)**	(124,805)

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	2012 HK$'000	2011 HK$'000
Investing activities		
Interest received	**10,909**	8,349
Decrease/(increase) in loans receivable	**56,487**	(86,051)
Purchases of property, plant and equipment	**(442)**	(3,908)
Proceeds on disposal/(acquisition) of derivative financial instruments	**239**	(118)
Proceeds on settlement of convertible note	**40,000**	—
Prepayment made for acquisition of exploration and evaluation asset	**(7,650)**	—
Disposal of subsidiaries	**—**	(29)
Net cash generated from/(used in) investing activities	**99,543**	(81,757)
Financing activities		
Interest paid on borrowings	**(4,641)**	(6,504)
Net proceeds from issue of shares	**—**	29,260
Proceeds from issue of warrants	**—**	2,995
New borrowings raised	**49,756**	81,882
Repayment of borrowings	**(72,439)**	(52,606)
Net cash (used in)/generated from financing activities	**(27,324)**	55,027
Net decrease in cash and cash equivalents	**(20,779)**	(151,535)
Effect of foreign exchange rate changes	**1,313**	4,589
Cash and cash equivalents at beginning of the year	**307,678**	454,624
Cash and cash equivalents at end of the year	**288,212**	307,678
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**288,212**	307,678

1. ORGANISATION AND OPERATIONS

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information in the annual report.

The Company is an investment holding company. The activities of the Company's subsidiaries are set out in Note 16.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 July 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretation has no significant impact on the Group's financial statements.

HKAS 24 (Revised) — Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationship of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in Note 36.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 10 and HKFRS 12	Consolidated Financial Statements and Disclosure of Interest in Other Entities: Transition Guidance[3]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[2]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 27 (2011)	Separate Financial Statements[3]
Annual Improvements Projects	Annual Improvement 2009–2011 Cycle[3]

Effective dates:

1 *Annual periods beginning on or after 1 January 2012*
2 *Annual periods beginning on or after 1 July 2012*
3 *Annual periods beginning on or after 1 January 2013*
4 *Annual periods beginning on or after 1 January 2014*
5 *Annual periods beginning on or after 1 January 2015*

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective and not early adopted (continued)

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

Functional and presentation currency

The functional currency of the Company is Renminbi ("RMB"), while the financial statements are presented in Hong Kong dollars. As the Company's shares are listed on the Main Board of the Stock Exchange, the directors consider that it will be more appropriate to adopt Hong Kong dollars as the Group's and the Company's presentation currency.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income, expenses and unrealised gains on transactions between group enterprises are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly-controlled entity.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Interests in subsidiaries are included in the Company's statement of financial position at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of returns, discounts and other similar allowances and excludes value-added tax or other sales related taxes.

(i) Sales of goods are recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

(ii) Interest income from a financial asset is accrued on a time-apportioned basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(iii) Dividend income is recognised when the right to receive the dividend is established.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Buildings are depreciated over the shorter of the term of the lease or fifty years using the straight-line method.

Leasehold improvements are depreciated over the shorter of the remaining term of the lease or at 5% per annum using the straight-line method.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Equipment, furniture and fixtures	6.67%–30.00%
Plant and machinery	6.67%–20.00%
Motor vehicles	12.50%–30.00%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognised.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid lease payments for land

Prepaid lease payments for land are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments for land are amortised on a straight-line basis over the respective terms of the land use rights.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have reduced. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss in profit or loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, including an appropriate portion of fixed and variable overhead expenses, is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

(ii) Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised as profit or loss in the period in which they arise. Non-monetary items carried at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and included as profit or loss or other comprehensive income as appropriate.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (i.e. exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and financial liabilities as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised in profit or loss.

Financial assets

(i) Financial assets at fair value through profit or loss

These assets include financial assets held for trading and convertible note designated as at fair value through profit or loss upon initial recognition. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. These net fair value changes do not include any interest earned on these financial assets, which are recognised in accordance with the policy set out for revenue recognition.

(ii) Loans and receivables

The Group's non-derivative financial assets mainly include loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

(iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

(iii) Impairment of financial assets (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

For loans and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by an entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the terms of the borrowings.

(ii) Other financial liabilities

Other financial liabilities including creditors and other advances are subsequently measured at amortised cost, using the effective interest method.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(iv) Derivatives not qualified for hedging

Derivatives that do not qualify for hedge accounting are deemed as financial assets/financial liabilities held for trading and are measured at fair value with fair value changes recognised in profit or loss except for derivative instruments which are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured and such derivative instruments are stated at cost less any impairment losses, if applicable.

(v) Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. Otherwise, they are classified as derivative financial instruments, and initially recognised at their fair values at the date of issue. Changes in fair values in subsequent periods are recognised in profit or loss.

(vi) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company and others providing similar services

The fair value of share options has been recognised in the profit or loss as share-based payments.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Employees' benefits

Short term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the year in which the associated services are rendered by employees.

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' benefits (continued)

Defined contribution pension obligations

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees. The Group has no further payment obligations once the contributions have been made.

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not equal to the actual results. The key estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as below.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management reassess the estimations at the end of each reporting period.

Depreciation of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis and reducing balance method where appropriate over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives, depreciation methods and the estimated residual values, if any, of the assets at least at the end of each reporting period in order to determine the amount of depreciation expense to be recorded during any reporting period. The depreciation methods, useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Income taxes

The Group is subject to income taxes in Hong Kong and PRC jurisdictions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgment is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Estimated impairment of loans receivable

The Group makes allowance for impairment of loans receivable based on an estimate of the recoverability of these receivables. Allowances are applied to loans receivable where events of changes in circumstances indicate that the balances may not be collectible. The identification of impairment of loans receivable requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and allowance for impairment losses in the period in which such estimate had been changed.

5. FINANCIAL RISK MANAGEMENT

a. Financial risk management objectives and policies

The Group's major financial instruments include trade debtors, other receivables, bills receivable, loans receivable, derivative financial assets and liabilities, convertible note designated as at fair value through profit or loss, financial assets at fair value through profit or loss, bank balances, trade creditors, other advances and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Foreign currency risk

Most of the Group's assets and liabilities are denominated in Hong Kong dollars, United States dollars and RMB, which are the functional currencies of respective group companies. The Group does not expect any significant exposure to foreign currency risks.

Credit risk

In order to minimise credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

Except for loans receivable from third parties, the Group has no significant concentration of credit risk with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparts are banks with high credit-ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors are set out in Note 19.

Interest rate risk

Cash flow interest rate risk is the risk that the cash flows of the financial instruments will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of the financial instruments will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk which relates primarily to the Group's floating-rate bank borrowings and the details of borrowings are disclosed in Note 26. Management closely monitors cash flow interest rate risk and will consider hedging significant interest rate exposure should the need arise.

The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 26.

At 30 June 2012, it is estimated that a general increase/decrease of 100 basis points in borrowing interest rates, with all other variables held constant, would increase/decrease the Group's loss after taxation and accumulated losses by HK$317,000 (2011: increase/decrease the loss after taxation and accumulated losses by HK$535,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next reporting period. The analysis is performed on the same basis for 2011.

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2012						
Borrowings	**62,195**	**66,249**	**66,249**	**—**	**—**	**—**
Creditors, other advances and accruals	**25,818**	**25,818**	**25,818**	**—**	**—**	**—**
	88,013	**92,067**	**92,067**	**—**	**—**	**—**
Derivative financial liabilities	**43**	**—**	**—**	**—**	**—**	**—**
2011						
Borrowings	83,855	87,041	87,041	—	—	—
Creditors, other advances and accruals	31,687	31,687	31,687	—	—	—
	115,542	118,728	118,728	—	—	—

5. FINANCIAL RISK MANAGEMENT (continued)

a. Financial risk management objectives and policies (continued)

Copper price risk

The Group is exposed to price risk of copper rods, which are the major raw materials for the production process. To mitigate the copper price risk, the Group has entered into copper futures contracts to hedge against the fluctuations of copper price. Details of the copper futures contracts outstanding at the end of reporting period are set out in Note 22.

At 30 June 2012, it was estimated that a general increase/decrease of 10% in copper futures contract price, with all other variables held constant, would decrease/increase the Group's loss after taxation and accumulated losses by HK$378,000 (2011: decrease/increase the loss after taxation and accumulated losses by HK$164,000).

The sensitivity analysis above has been determined assuming that the change in copper futures contract price had occurred at the end of reporting period and had been applied to the exposure to copper futures contract price risk for both derivative and non-derivative financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in copper futures contract price over the period until the end of next reporting period.

Price risk

The Group is exposed to equity price changes arising from financial assets at fair value through profit or loss held for trading purpose.

The Group's listed investments are listed on the Stock Exchange. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the index of the Stock Exchange and other industry indicators, as well as the Group's liquidity needs.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives financial liabilities of the Group. At the end of reporting period, the Group is exposed to this risk through the exercise rights attached to the warrants issued by the Company as disclosed in Note 22.

Sensitivity analysis

The sensitivity analysis on equity price risk includes the Group's financial instruments for which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. At 30 June 2012, it was estimated that a general increase/decrease of 10% in equity price, with all other variables held constant, would decrease/increase the Group's loss after taxation and accumulated losses by HK$13,405,000 (2011: decrease/increase the loss after taxation and accumulated losses by HK$9,509,000).

b. Fair value

The fair values of financial assets and financial liabilities are determined as follows:

— the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and

— the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

5. FINANCIAL RISK MANAGEMENT (continued)

b. Fair value (continued)

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their corresponding fair values.

HKFRS 7 requires disclosure for financial instruments that are measured at fair value by level of the following fair value measurement hierarchy:

Level 1 — Quoted price (unadjusted) in active markets for identical assets or liabilities.
Level 2 — Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
Level 3 — Inputs for the asset or liability that are not based on observable market data.

The Group's derivatives and investments in listed securities are measured at fair value. During the year, there are no significant transfers between Level 1 and Level 2.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 30 June 2012				
Assets				
Financial assets at fair value through profit or loss	**134,045**	**—**	**—**	**134,045**
Liabilities				
Derivative financial liabilities	**43**	**2,905**	**—**	**2,948**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 30 June 2011				
Assets				
Financial assets at fair value through profit or loss	95,086	—	—	95,086
Convertible note designated as at fair value through profit or loss	—	4,917	—	4,917
Derivative financial assets	68	—	—	68
	95,154	4,917	—	100,071
Liabilities				
Derivative financial liabilities	—	20,999	—	20,999

6. TURNOVER AND SEGMENT REPORTING

Turnover, which is also revenue, represents the amounts received and receivable for goods sold to outside customers and dividend income on listed securities, net of returns and discounts and sales related taxes during the year.

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies as follows:

(i) manufacture and trading of cable and wires;

(ii) manufacture and trading of copper rods; and

(iii) investments in listed securities.

Inter-segment transactions are priced with reference to prices charged to external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-makers for assessment of segment performance.

6. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the year ended 30 June 2012

	Cable and Wires HK$'000	Copper Rods HK$'000	Investments in Listed Securities HK$'000	Consolidated HK$'000
Turnover	175,380	136,326	166	311,872
Segments profit/(loss)	1,993	(8,773)	(91,481)	(98,261)
Unallocated corporate income				1,860
Unallocated corporate expenses				(5,679)
Interest income				10,981
Finance costs				(4,641)
Impairment loss on loan receivable				(10,226)
Fair value adjustment on warrants classified as derivative financial instruments				18,094
Change in fair value of convertible note designated as at fair value through profit or loss				35,083
Loss before taxation				(52,789)

For the year ended 30 June 2011

	Cable and Wires HK$'000	Copper Rods HK$'000	Investments in Listed Securities HK$'000	Consolidated HK$'000
Turnover	221,767	156,524	796	379,087
Segments profit/(loss)	2,745	(3,317)	(13,977)	(14,549)
Unallocated corporate income				1,578
Unallocated corporate expenses				(3,878)
Interest income				9,532
Finance costs				(6,504)
Share-based payments				(16,491)
Fair value adjustment on warrants classified as derivative financial instruments at issue date and change in fair value of derivative financial instruments, net				(18,004)
Impairment loss on other receivable				(35,850)
Gain on disposal of a subsidiary				41,944
Change in fair value of convertible note designated as at fair value through profit or loss				(3,983)
Loss before taxation				(46,205)

6. TURNOVER AND SEGMENT REPORTING (continued)

(c) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	2012 HK$'000	2011 HK$'000
Segment assets		
Cable and Wires	165,299	196,842
Copper Rods	91,562	96,837
Investments in Listed Securities	134,954	95,888
Total segment assets	391,815	389,567
Unallocated bank balances and cash	267,211	295,221
Unallocated other receivables	—	135
Unallocated loans receivable	19,338	84,901
Convertible note designated as at fair value through profit or loss	—	4,917
Unallocated corporate assets	2,511	2,973
Consolidated total assets	680,875	777,714

	2012 HK$'000	2011 HK$'000
Segment liabilities		
Cable and Wires	74,231	76,628
Copper Rods	10,210	28,749
Investments in Listed Securities	138	528
Total segment liabilities	84,579	105,905
Taxation	398	650
Deferred tax liabilities	724	742
Unallocated derivative financial instruments	2,905	20,999
Unallocated corporate liabilities	3,477	9,637
Consolidated total liabilities	92,083	137,933

6. TURNOVER AND SEGMENT REPORTING (continued)

(d) Other segment information

For the year ended 30 June 2012

	Cable and Wires HK$'000	Copper Rods HK$'000	Investments in Listed Securities HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	(780)	(3)	—	—	(783)
Amortisation of prepaid lease payments for land	(169)	(71)	—	—	(240)
Depreciation of property, plant and equipment	(9,643)	(4,881)	—	(577)	(15,101)
Impairment on loan receivable	—	—	—	(10,226)	(10,226)
Impairment losses on property, plant and equipment	—	(4,949)	—	—	(4,949)
Fair value adjustment on warrants classified as derivative financial instruments and change in fair value of derivative financial instruments	128	—	—	18,094	18,222
Change in fair value of financial assets at fair value through profit or loss	—	—	(91,771)	—	(91,771)
Interest income on convertible note designated as at fair value through profit or loss	—	—	—	1,582	1,582
Interest income on loans receivable	—	—	—	4,879	4,879
Bank interest income	—	50	87	4,520	4,657
Amounts regularly provided to the chief operating decision-makers but not included in the measure of segment profit or loss:					
Income tax charge	(170)	(138)	—	—	(308)
Finance costs	(3,591)	(1,050)	—	—	(4,641)

6. TURNOVER AND SEGMENT REPORTING (continued)

(d) Other segment information (continued)

For the year ended 30 June 2011

	Cable and Wires HK$'000	Copper Rods HK$'000	Investments in Listed Securities HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	1,880	2	—	2,922	4,804
Amortisation of prepaid lease payments for land	(164)	(68)	—	—	(232)
Depreciation of property, plant and equipment	(8,477)	(5,152)	—	(348)	(13,977)
Impairment losses on property, plant and equipment and prepaid lease payments for land	—	(1,800)	—	—	(1,800)
Fair value adjustment on warrants classified as derivative financial instruments at issue date and change in fair value of derivative financial instruments, net	(39)	—	—	(18,004)	(18,043)
Change in fair value of financial assets at fair value through profit or loss	—	—	(13,775)	—	(13,775)
Interest income on convertible note designated as at fair value through profit or loss	—	—	—	1,600	1,600
Notional interest income of discounted other receivable	—	—	—	1,255	1,255
Interest income on loans receivable	—	—	—	3,176	3,176
Bank interest income	—	70	2	3,501	3,573
Amounts regularly provided to the chief operating decision-makers but not included in the measure of segment profit or loss:					
Income tax charge	(489)	—	—	(25)	(514)
Finance costs	(2,905)	(1,330)	(2,269)	—	(6,504)

6. TURNOVER AND SEGMENT REPORTING (continued)

(e) Geographic information

The Group's operations are mainly located in Hong Kong (place of domicile) and the People's Republic of China (the "PRC").

The Group's revenue from external customers and information about its non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("Specified non-current assets") by geographical markets are detailed as below:

	Revenue from external customers		Specified non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**166**	796	**1,997**	2,914
PRC	**311,706**	378,291	**139,616**	156,918
Other Asian Region	**—**	—	**7,650**	—
	311,872	379,087	**149,263**	159,832

(f) Major customers

During the year, two customers, each of them contributed revenue of HK$32,164,000 and HK$25,984,000 respectively, to the Group's cable and wires segment and three customers, each of them contributed revenue of HK$30,376,000, HK$18,804,000 and HK$14,239,000 respectively to the Group's copper rods segment.

During the prior year, three customers, each of them contributed revenue of HK$51,122,000, HK$34,920,000 and HK$25,898,000 respectively, to the Group's cable and wires segment and a customer contributed revenue of HK$25,760,000 to the Group's copper rods segment.

7. LOSS FOR THE YEAR

	2012 HK$'000	2011 HK$'000
This is arrived at after charging/(crediting):		
Auditor's remuneration	**650**	530
Depreciation of property, plant and equipment	**15,101**	13,977
Cost of inventories *(Note)*	**297,630**	363,295
Charge of prepaid lease payments for land	**240**	232
(Reversal of allowance for doubtful debts)/ impairment loss on trade debtors, net	**(1,090)**	1,179
Wages, salaries and pension contributions including directors' remuneration *(Note 8)*	**23,254**	18,425
Share-based payments expense	**—**	16,491
Operating lease rentals in respect of:		
Office premise	**336**	309
Motor vehicles	**2,645**	1,276
Exchange gains, net	**(1,211)**	(2,427)
Sale of scrapped materials	**(59)**	(454)
Interest income on convertible note designated as at fair value through profit or loss *(Note 17)*	**(1,582)**	(1,600)
Notional interest income of discounted other receivable *(Note 30)*	**—**	(1,255)
Interest income on loans receivable	**(4,879)**	(3,176)
Bank interest income	**(4,657)**	(3,573)
Loss on disposal of property, plant and equipment	**291**	—

Note: Cost of inventories includes HK$33,080,000 (2011: HK$31,191,000) relating to staff costs and depreciation of property, plant and equipment for which the amounts are also included in the respective total amounts disclosed separately above.

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Particulars of the remuneration of the directors and the five highest paid individuals for the year were as follows:

Name of director	Fees	
	2012	2011
	HK$'000	HK$'000
Mr. Wong Hin Shek	**600**	150
Mr. Chi Chi Hung, Kenneth	**1,080**	460
Dr. Wong Yun Kuen	**70**	60
Mr. Chiu Wai On	**70**	60
Mr. Man Kwok Leung	**70**	60
Total	**1,890**	790

No other emolument was paid to the directors of the Company and there was no arrangement under which a director waived or agreed to waive any remuneration during the current and prior years.

The five highest paid individuals of the Group include two (2011: two) executive directors of the Company, details of whose remuneration are included above. The emoluments of the remaining three (2011: three) individuals for the year ended 30 June 2012 were as follows:

	2012	2011
	HK$'000	HK$'000
Salaries	**706**	505
Contributions to retirement benefits schemes	**13**	10
	719	515

Their emoluments fell within the following band:

	Number of individuals	
	2012	2011
HK$Nil–HK$1,000,000	**3**	3

During the current and prior years, no share option was granted to non-director, highest paid individuals in respect of their services to the Group.

There was no arrangement under which the above non-director, highest paid individuals waived or agreed to waive any remuneration, and neither incentive payment nor compensation for loss of office paid to a director during the current and prior years.

9. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Interest on bank loans and other loan wholly repayable within five years	**4,641**	6,504

10. TAXATION

	2012	2011
	HK$'000	HK$'000
Taxation charged in the consolidated statement of comprehensive income represents:		
Current taxation — Hong Kong profits tax		
— Under-provision for the prior years	**—**	24
Current taxation — PRC corporate income tax ("CIT")		
— tax for the year	**337**	516
	337	540
Deferred taxation *(Note 27)*	**(29)**	(26)
	308	514

No Hong Kong profits tax has been provided as the Group has no estimated assessable profit arising in Hong Kong during the current and prior years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The domestic tax rate of principal subsidiaries in the PRC is used as it is where the operations of the Group are substantially based. The standard CIT rate for enterprises in the PRC is 25%, which is also the Group's applicable CIT rate for the years ended 30 June 2011 and 2012.

10. TAXATION (continued)

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2012 HK$'000	2011 HK$'000
Loss before taxation	**(52,789)**	(46,205)
Tax at the PRC CIT rate of 25% (2011: 25%)	**(13,197)**	(11,551)
Tax effect of expenses not deductible for tax purposes	**22,892**	28,744
Tax effect of income not taxable for tax purposes	**(12,909)**	(20,355)
Under-provision for the prior years	**—**	24
Effect of different tax rates of subsidiaries operating in other jurisdictions and changes in tax rates	**3,522**	3,652
Taxation for the year	**308**	514

11. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 30 June 2012 includes a profit of HK$13,833,000 (2011: a loss of HK$38,701,000) which has been dealt with in the financial statements of the Company.

12. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 30 June 2012 (2011: HK$Nil).

13. LOSS PER SHARE

The calculation of basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted loss per share amount is based on the loss for the year attributable to owners of the Company adjusted to reflect the change in fair value of warrants included in derivative financial liabilities. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of the basic and diluted loss per share amounts is based on the following data:

	2012 **HK$'000**	2011 HK$'000
Loss for the purpose of basic loss per share	**(53,097)**	(46,719)
Effect of dilutive ordinary shares:		
Change in fair value of warrants included in derivative financial liabilities#	—	(45,107)
Loss for the purpose of diluted loss per share	**(53,097)**	(91,826)

	Number of shares **2012**	 2011
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,995,413,900**	2,927,426,338
Effect of dilutive potential shares:		
Warrants#	—	67,925,017
Weight average number of ordinary shares for the purpose of diluted loss per share	**2,995,413,900**	2,995,351,355

As warrants outstanding during the year ended 30 June 2012 had an anti-dilutive effect on the basic loss per share, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share.

As share options outstanding during the prior and current years had an anti-dilutive effect on the basic loss per share for both years, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share.

14. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION AND EVALUATION ASSET

	Buildings HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST:						
At 1 July 2010	59,871	7,483	6,450	113,261	1,015	188,080
Additions	—	99	3,045	1,660	—	4,804
Currency realignment	3,976	2	438	8,170	75	12,661
At 30 June 2011	63,847	7,584	9,933	123,091	1,090	205,545
Additions	592	—	62	129	—	783
Disposals	—	—	—	(847)	(3)	(850)
Currency realignment	853	—	95	1,766	16	2,730
At 30 June 2012	65,292	7,584	10,090	124,139	1,103	208,208
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES:						
At 1 July 2010	6,017	2,077	3,521	24,489	486	36,590
Provided for the year	2,274	5	1,480	10,054	164	13,977
Impairment loss	567	—	31	1,115	7	1,720
Currency realignment	816	1	193	2,761	47	3,818
At 30 June 2011	9,674	2,083	5,225	38,419	704	56,105
Provided for the year	3,531	379	1,290	9,841	60	15,101
Disposals	—	—	—	(556)	(3)	(559)
Impairment loss	—	—	514	4,435	—	4,949
Currency realignment	197	—	33	692	11	933
At 30 June 2012	13,402	2,462	7,062	52,831	772	76,529
NET CARRYING AMOUNT:						
At 30 June 2012	51,890	5,122	3,028	71,308	331	131,679
At 30 June 2011	54,173	5,501	4,708	84,672	386	149,440

14. PROPERTY, PLANT AND EQUIPMENT AND PREPAYMENTS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION AND EVALUATION ASSET (continued)

	Equipment, furniture and fixtures HK$'000
THE COMPANY	
COST:	
Additions and at 30 June 2011 and 30 June 2012	2,900
ACCUMULATED DEPRECIATION:	
Provided for the year and at 30 June 2011	344
Provided for the year	571
At 30 June 2012	915
NET CARRYING AMOUNT:	
At 30 June 2012	1,985
At 30 June 2011	2,556

For the year ended 30 June 2012, the Group's copper rods segment incurred a segment loss, before impairment, of HK$3,824,000. As a result, management considered and identified that the related equipment, furniture and fixtures items and plant and machinery items in the Group's property, plant and equipment under the copper rods segment were under-utilised and damaged. In the opinion of the directors of the Company, it was not cost-effective to incur additional repair and maintenance costs to restore the condition of those items, for which the recoverable amount of those items was nil. Accordingly, full provision for impairment loss of HK$4,949,000 (2011: HK$1,720,000) in aggregate, in respect of these individual equipment, furniture and fixtures items and plant and machinery items, was recognised in profit or loss during the year.

The Group has pledged buildings with a carrying amount at 30 June 2012 of HK$51,890,000 (2011: HK$54,173,000) to secure banking facilities granted to the Group (Note 33).

As at 30 June 2011 and 2012, the prepayment amounts represented prepayments made for acquisition of items of property, plant and equipment, and exploration and evaluation asset respectively.

15. PREPAID LEASE PAYMENTS FOR LAND

	2012 HK$'000	2011 HK$'000
Net carrying amount:		
At beginning of year	**10,288**	10,003
Charge to the profit or loss	**(240)**	(232)
Impairment loss	**—**	(80)
Exchange realignment	**126**	597
At end of year	**10,174**	10,288

The Group's net carrying amount of the prepaid lease payments for land is analysed as follows:

	2012 HK$'000	2011 HK$'000
Leasehold land under medium-term lease in the PRC	**10,174**	10,288
Analysed for reporting purposes as:		
Non-current	**9,934**	10,051
Current	**240**	237
	10,174	10,288

The Group has pledged prepaid lease payments for land with a carrying amount at 30 June 2012 of HK$10,174,000 (2011: HK$10,288,000) to secure banking facilities granted to the Group (Note 33).

16. INTERESTS IN SUBSIDIARIES

	The Company 2012 HK$'000	 2011 HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**550,773**	554,846
	550,774	554,847
Less: impairment loss on amount due from a subsidiary	**(140,216)**	(127,656)
	410,558	427,191

16. INTERESTS IN SUBSIDIARIES (continued)

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within twelve months after the end of reporting period. The amounts due from subsidiaries in substance represent the Company's interests in the subsidiaries in the form of quasi-equity loans and therefore they are included under the non-current assets of the Company.

An accumulated impairment loss on amounts due from subsidiaries of HK$140,216,000 (2011: HK$127,656,000) was recognised as at 30 June 2012 because the related recoverable amounts of the amounts due from subsidiaries with reference to the fair values of the respective subsidiaries were estimated to be less than their carrying amounts. Accordingly, the carrying amounts of the related amounts due therefrom are reduced to their recoverable amounts.

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The following list contains only the particulars of the principal subsidiaries as at 30 June 2012 which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of company	Place of incorporation or establishment/ operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital or registered capital held by the Group	Principal activities
Brightpower Asset Management Limited	British Virgin Islands	US$1	100%	Investments in listed securities
Hua Yi Copper (BVI) Company Limited	British Virgin Islands	US$1	100%	Investment holding
Wah Yeung Capital Resources Limited	British Virgin Islands	US$1	100%	Investment holding
昆山華藝銅業有限公司 Kunshan Hua Yi Copper Products Company Limited #	PRC	US$5,000,000	100%	Manufacture and trading of copper products
昆山周氏電業有限公司 Kunshan Chau's Electrical Company Limited #	PRC	US$5,000,000	100%	Manufacture and trading of cable and wire products

\# Wholly-foreign-owned enterprise

None of the subsidiaries issued any debt securities at the end of reporting period.

Except for Hua Yi Copper (BVI) Company Limited, all the subsidiaries are indirectly held by the Company.

17. CONVERTIBLE NOTE DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

On 16 December 2008, the Group disposed of its business of manufacture and trading of life-like plants (the "Life-like Plants Operation") to a subsidiary of Kong Sun Holdings Limited ("Kong Sun"). Kong Sun's shares are listed on Main Board of the Stock Exchange. Kong Sun and its subsidiaries are collectively referred to as the Kong Sun Group.

A convertible note with principal amount of HK$40,000,000 which carries coupon interest at 4% per annum with maturity date on 15 December 2011 (the "Maturity Date") was issued by the Kong Sun Group to the Group as part of consideration for the Group's disposal of the Life-like Plants Operation.

The Group had the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the convertible note into conversion shares; and the right, at any time during the period between 20 months after the issue of the convertible note and before the Maturity Date, to redeem, the whole or part of the outstanding principal amount of the convertible note. On the other hand, the Kong Sun Group has the right, at any time during the period commencing from the date immediately following the date of issue of the convertible note up to the day immediately prior to and exclusive of the Maturity Date, to mandatorily convert the whole of the outstanding principal amount of the convertible note registered in the name of noteholder into conversion shares at the then applicable conversion price of HK$0.1 per conversion share that subject to adjustment clauses in the convertible note agreement, or redeem any convertible note remaining outstanding at the Maturity Date at its nominal value. The convertible note could be transferred to any person but shall not be assigned or transferred to a connected person of the issuer without the prior written consent of the issuer.

Upon initial recognition, the Group has designated the convertible note as a financial asset at fair value through profit or loss and is carried at fair value as the directors considered that it is more relevant to evaluate the convertible note on a fair value basis in accordance with the Group's risk management policy.

During the year ended 30 June 2011, 239,654,173 new ordinary shares of Kong Sun were issued under an open offer, resulting in adjustments to the number of Kong Sun's shares upon conversion and the conversion price of the convertible note to 23,529,411 shares and HK$1.70 respectively. Details of Kong Sun's open offer and the adjustments to the convertible note were set out in Kong Sun's announcement dated 26 October 2010.

At 30 June 2011, the fair value of the convertible note was HK$4,917,000, based on the professional valuation performed by Kovas Magni Appraisal Limited, an independent firm of professionally qualified valuers. The fair value was calculated using the Binomial Options Pricing Model. The key inputs into the model were as follows:

	30 June 2011
Stock price of Kong Sun	HK$0.209
Conversion price	HK$1.700
Number of issued shares of Kong Sun	718,962,519
Quantities of shares upon conversion	23,529,411
Dilution effect	1.23
Expected life	0.5 year
Coupon rate	4%

17. CONVERTIBLE NOTE DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

During the year, the principal amount of HK$40,000,000 was fully settled by the Kong Sun Group on the Maturity Date. Accordingly, a change in fair value and gain on maturity of convertible note of HK$35,083,000 (2011: loss on change in fair value of HK$3,983,000) was recognised in profit or loss.

During the year ended 30 June 2012, interest income of HK$1,582,000 (2011: HK$1,600,000) arising from the convertible note was recognised in profit or loss.

18. INVENTORIES

	2012	2011
	HK$'000	HK$'000
Raw materials	**8,291**	8,733
Work in progress	**14,187**	12,887
Finished goods	**3,993**	6,725
	26,471	28,345

19. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the Group's debtors, other receivables, deposits and prepayments were trade debtors with outsiders of HK$44,608,000 (2011: HK$73,814,000). The Group allows an average credit period of 0 to 90 days to its trade debtors with outsiders.

(i) The aging analysis of trade debtors, net of allowance for doubtful debts, based on invoice date, is as follows:

	2012	2011
	HK$'000	HK$'000
Within 30 days	**22,816**	38,139
31–60 days	**10,924**	20,787
61–90 days	**10,793**	14,769
Over 90 days	**75**	119
	44,608	73,814

19. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(ii) The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
At beginning of year	**1,585**	324
Impairment loss recognised	**297**	1,179
Reversal of allowance for doubtful debts	**(1,387)**	—
Exchange realignment	**20**	82
	515	1,585

At 30 June 2012, the Group's trade debtors of HK$515,000 (2011: HK$1,585,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that none of the receivables is expected to be recovered. Consequently, specific and full allowances for doubtful debts were recognised for such balances as at the end of respective reporting periods. The Group does not hold any collateral over these balances.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods.

(iii) The aging analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**41,413**	70,724
Less than 1 month past due	**3,061**	2,666
1 to 3 months past due	**8**	3
More than 3 months past due	**126**	421
	44,608	73,814

19. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

(iii) (continued):

Trade debtors that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

At 30 June 2012, other than the trade debtors disclosed above, none of the balances included in debtors, other receivables, deposits and prepayments were either past due or impaired which there were no recent history of default.

20. BILLS RECEIVABLE

As at 30 June 2011 and 2012, all bills receivable aged within 180 days.

21. LOANS RECEIVABLE

At 30 June 2012, there were three (2011: four) loans receivable with gross principal amount of HK$29,000,000 (2011: HK$83,150,000) in aggregate and related gross interest receivable of HK$564,000 (2011: HK$2,901,000) due from three (2011: four) independent third parties. These loans are unsecured and interest-bearing at rates ranging from 5% to 8% (2011: 2.8% to 10%) per annum except the Loan (as defined below) which is secured by a personal guarantee executed by the sole director and shareholder of the borrower. All the loans were repayable within twelve months from the end of the reporting period and therefore were classified as current assets as at 30 June 2012.

During the year, the loans receivable with aggregate principal amount of HK$83,150,000 and related aggregate interest receivables of HK$2,901,000 as at 30 June 2011 have been fully settled.

During the year, the Group reviewed its loans receivable to assess whether impairment losses exist. In determining whether impairment loss should be recognised in profit or loss, the Group has evaluated its loans receivable for impairment after taking into account the repayment history and credit quality of the counterparties. Included in the loans receivable is a loan with principal of HK$10,000,000 due from a borrower (the "Borrower") which is repayable on 20 December 2012 whereas the Borrower has defaulted on the payment of interest as at 30 June 2012 and up to the date of approval of these financial statements. The Group has attempted to contact the Borrower and the Group also instructed its legal counsel to issue a demand letter to request immediate repayment of the principal and the related interest but failed to receive any response for settlement so far. Hence, the directors of the Company consider that the possibility to recover the related loan receivable with principal amount of HK$10,000,000 (the "Loan") and related interest receivable of HK$226,000 is remote. Therefore a full impairment loss of HK$10,226,000 (2011: HK$Nil) in aggregate has been recognised in profit or loss for the current year. Accordingly, the total net carrying value of loans receivable as at 30 June 2012 amounted to HK$19,338,000 (2011: HK$86,051,000).

22. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	The Group			
	2012		2011	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Copper futures contracts	**—**	**43**	68	—
Warrants	**—**	**2,905**	—	20,999
	—	**2,948**	68	20,999

	The Company			
	2012		2011	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Warrants	**—**	**2,905**	—	20,999

Copper futures contracts

The major terms of the outstanding copper futures contracts of the Group which have not been designated as hedging instruments were as follows:

	As at 30 June 2012	As at 30 June 2011
Quantities *(in tonnes)*	**55**	20
Average price per tonne *(in RMB)*	**54,945**	69,590
Delivery period	**From September 2012 to October 2012**	From June 2011 to November 2011
Fair value of copper futures contracts recognised as current (liabilities)/assets *(in HK$'000)*	**(43)**	68

The above derivatives were measured at fair value at the end of each reporting period and were with financial institutions. The fair value of copper futures contracts was determined based on the quoted market prices at the end of reporting period. The gain on change in fair value of derivative financial instruments of HK$128,000 (2011: loss on change in fair value of HK$39,000) has been recognised in the profit or loss during the year.

Warrants

During the year ended 30 June 2011, the Company issued 599,000,000 non-listed warrants at subscription proceeds of HK$2,995,000, each entitled the holder thereof to subscribe for one share of the Company at the subscription price of HK$0.19 per share, subject to anti-dilutive adjustments, at any time during a period of two years commencing from the date of issue of the warrants. Further details are set out in the Company's announcements dated 29 November 2010 and 13 December 2010.

22. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (continued)

Warrants (continued)

The fair value of the warrants classified as derivative financial instruments were determined taking into account the valuation performed by Grant Sherman Appraisals Limited, an independent firm of professionally qualified valuers, using the Black-Scholes option pricing model. The key inputs into the model at the end of the reporting period were as follows:

	30 June 2012	30 June 2011
Share price	**HK$0.099**	HK$0.164
Exercise price	**HK$0.190**	HK$0.190
Expected volatility	**90.16%**	65.03%
Time to maturity	**0.45 years**	1.45 years
Risk-free rate	**0.11%**	0.22%
Expected dividend yield	**Nil**	Nil

During the year ended 30 June 2012, a gain on change in fair value of HK$18,094,000 (2011: a loss on fair value adjustment on warrants classified as derivative financial instruments at issue date of HK$63,111,000 and a gain on change in fair value of HK$45,107,000) was recognised in profit or loss.

Expected volatility was determined by using the historical volatility of the Company's share price over the expected life of the option. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 HK$'000	2011 HK$'000
Hong Kong-listed equity investments, at fair value	**134,045**	95,086

The above equity investments are classified as held for trading. The fair values of listed securities are based on quoted market prices. During the current year, a loss on change in fair value of financial assets at fair value through profit or loss of HK$91,771,000 (2011: HK$13,775,000) was recognised in profit or loss.

24. BANK BALANCES AND CASH

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods ranging from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy financial institutions with no recent history of default. The carrying amounts of the bank balances and cash approximate their fair values.

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
The balances were denominated in the following currencies:				
Hong Kong Dollars	**268,090**	192,865	**39**	41
RMB	**20,071**	114,599	**—**	—
U.S. Dollars	**51**	212	**—**	1
Euro	**—**	2	**—**	—
	288,212	307,678	**39**	42

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. CREDITORS, OTHER ADVANCES AND ACCRUALS

Included in the Group's creditors, other advances and accruals were trade creditors of HK$10,760,000 (2011: HK$16,094,000) with independent suppliers.

The aging analysis of these trade creditors, based on invoice date, is as follows:

	2012	2011
	HK$'000	HK$'000
Within 30 days	**2,149**	4,122
31–60 days	**4,715**	2,180
61–90 days	**3,052**	5,407
Over 90 days	**844**	4,385
	10,760	16,094

At 30 June 2012, included in creditors, other advances and accruals was an amount due to a related company (2011: three related companies) of HK$2,826,000 (2011: HK$9,491,000). The amounts were unsecured, interest-free and had no fixed terms of repayment. As at 30 June 2012 and 2011, one of the directors of the related companies was a close family member of a director of the Company's subsidiaries.

26. BORROWINGS

	2012 HK$'000	2011 HK$'000
Borrowings are due within one year or repayable on demand and are analysed as follows:		
Bank loans, secured	**31,707**	53,735
Other loan, unsecured	**30,488**	30,120
	62,195	83,855

The average effective interest rates of the bank loans range from 6% to 7% (2011: 5% to 10%) per annum.

At 30 June 2011, the other loan was interest-bearing at 6% per annum and repayable on 31 December 2011. The other loan was borrowed from a related company (the "Lender") in which a director of the related company (the "Related Person") is a close family member of a director of the Company's subsidiary. During the year, the repayment date of the other loan has been extended to 31 December 2012 with the interest rate remained at 6% per annum. As at 30 June 2012, the Lender ceased to be a related company of the Group as the Related Person resigned as a director of the Lender during the year. The interest expense of the other loan amounted to HK$1,829,000 (2011: HK$1,372,000) for the year.

The Group's borrowings are denominated in the functional currencies of the relevant group entities and therefore exposed to minimal foreign exchange rate risk.

At 30 June 2012, the Group had available HK$42,317,000 (2011: HK$Nil) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Details of the assets pledged for the Group's facilities are set out in Note 33.

27. DEFERRED TAX

The following is the major deferred tax liabilities recognised by the Group and their movements are:

	Revaluation of properties HK$'000
At 1 July 2010	726
Credited to profit or loss for the year *(Note 10)*	(26)
Exchange realignment	42
At 30 June 2011	742
Credited to profit or loss for the year *(Note 10)*	(29)
Exchange realignment	11
At 30 June 2012	724

The Group had no significant unprovided deferred tax asset or liability at the end of reporting period (2011: HK$Nil).

28. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.05 each at 30 June 2011 and 2012		
Authorised:		
As at 1 July 2010, 30 June 2011 and 30 June 2012	6,000,000,000	300,000
Issued and fully paid:		
As at 1 July 2010	2,810,223,900	140,511
Exercise of share options *(Note)*	185,190,000	9,260
As at 30 June 2011 and 30 June 2012	2,995,413,900	149,771

Note:

During the year ended 30 June 2011, 185,190,000 new ordinary shares of par value HK$0.05 each were issued at the subscription price of HK$0.158 each on exercise of 185,190,000 share options at an aggregate consideration of HK$29,260,000, net of issuing expenses, of which HK$9,260,000 was credited to share capital and the remaining balance of HK$20,000,000 was credited to the share premium account. In addition, an amount attributable to the related share options of HK$14,331,000 was transferred from share option reserve to the share premium account.

29. RESERVES OF THE COMPANY

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2010	417,567	414,226	15,105	(586,597)	260,301
Issue of new shares upon exercise of share options *(Note 28)*	20,000	—	—	—	20,000
Transfer upon exercise of share options *(Note 28)*	14,331	—	(14,331)	—	—
Recognition of equity-settled share-based payment transactions *(Note 34)*	—	—	16,491	—	16,491
Loss and total comprehensive income for the year	—	—	—	(38,701)	(38,701)
At 30 June 2011 and 1 July 2011	451,898	414,226	17,265	(625,298)	258,091
Profit and total comprehensive income for the year	—	—	—	1,273	1,273
At 30 June 2012	451,898	414,226	17,265	(624,025)	259,364

30. DISPOSAL OF SUBSIDIARIES

On 1 November 2010, the Group entered into a sale and purchase agreement with an independent third party pursuant to which the Group agreed to dispose of and the purchaser agreed to purchase the 100%-owned equity interest in FT Multi-Media Limited ("FTMM") at a consideration of HK$1.

The assets and liabilities of FTMM at the date of disposal were as follows:

	HK$'000
Bank balances and cash	29
Creditors, other advances and accruals	(6,464)
Other loans	(35,509)
	(41,944)
Gain on disposal of a subsidiary	41,944
Total consideration	—
Satisfied by:	
Cash	—
Analysis of the net cash outflow:	
Cash consideration	—
Bank balances and cash disposed of	(29)
	(29)

On 20 August 2009, the Group entered into a sale and purchase agreement with a purchaser pursuant to which the Group agreed to dispose of and the purchaser agreed to purchase the entire equity interest in Fortune Point Limited and its subsidiaries (the "Fortune Point Group") at a consideration of HK$4,500,000. The disposal was completed on 24 August 2009. Details of the disposal were set out in the announcements of the Company dated 20 and 24 August 2009.

Included in the Fortune Point Group's creditors, other advances and accruals at the date of disposal was a gross amount due to the Group amounting to HK$44,469,000 with the initial carrying amount of HK$37,770,000 as at the date of the disposal. The Group and the purchaser initially mutually agreed the amount was repayable by instalments with the last payment to be made on 31 December 2013.

During the year ended 30 June 2011, the Group reviewed the above other receivable to assess whether impairment losses exist. At 30 June 2011, the carrying value of the amount due from the Fortune Point Group was HK$35,850,000. In determining whether impairment losses should be recognised in profit or loss, the Group evaluated its other receivable for impairment after taking into account the settlements made during the year. The Group took several attempts but failed to contact the purchaser for the repayment of amount. Based on the facts and circumstances, the directors of the Company considered that the possibility to recover the other receivable to be remote and therefore full impairment loss of HK$35,850,000 was recognised in profit or loss.

During the year ended 30 June 2011, notional interest income of HK$1,255,000 was recognised in profit or loss.

31. CAPITAL COMMITMENTS

	2012	2011
	HK$'000	HK$'000
Capital expenditure contracted but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	**—**	720

32. LEASE COMMITMENTS

The Group as lessee

As at the end of reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating lease in respect of office premise which fall due as follows:

	2012	2011
	HK$'000	HK$'000
Within one year	**336**	308
In the second to fifth years inclusive	**56**	392
	392	700

Lease is negotiated for a term of three years and rentals are fixed for such period.

33. PLEDGE OF ASSETS

At 30 June 2012, the Group had pledged the following assets to secure general banking facilities granted to the Group. The carrying values of these assets are analysed as follows:

		2012	2011
	Notes	**HK$'000**	HK$'000
Property, plant and equipment	14	**51,890**	54,173
Prepaid lease payments for land	15	**10,174**	10,288
		62,064	64,461

34. SHARE OPTION SCHEME

The share option scheme was adopted by the Company on 4 December 2003, which replaced its old share options scheme adopted in 1996. Under the share option scheme, the directors may, at their discretion, grant to full-time employees and executive directors of the Company and its subsidiaries the right to take up options to subscribe for shares of the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for services provided to the Company. The share option scheme, unless otherwise cancelled or amended, will expire on 3 December 2013. The subscription price of options is subject to a minimum which is the higher of the nominal value of a share, the closing price of the shares on the Stock Exchange on the date of grant and the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the grant date of the options.

34. SHARE OPTION SCHEME (continued)

The maximum number of unexercised share options permitted to be granted under the share option scheme must not exceed 10% of the shares of the Company in issue at any time. No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the share option scheme exceeding 30% of the aggregate number of shares subject to the share option scheme, at the time it is proposed to grant the relevant option to such person.

The acceptance of an option, if accepted, must be made within 21 days from the date of the offer of the grant with a non-refundable payment of HK$1 from the grantee to the Company.

The total number of shares issued and to be issued upon exercise of options granted to each participant (including exercised, cancelled and outstanding options) in a 12-month period must not exceed 1% of the shares in issue from time to time unless the same is approved by the shareholders.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, share-based payments expense of HK$Nil (2011: HK$16,491,000) has been charged to profit or loss.

The following table discloses movements of the Company's share option scheme during the years:

For the year ended 30 June 2012

					Number of share options			
Capacity	**Date of grant**	**Exercisable period**	**Vesting period**	**Exercise price** HK$	**Outstanding at 1.7.2011**	**Granted during the year**	**Exercised during the year**	**Outstanding at 30.6.2012**
Others	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	**10,000,000**	**—**	**—**	**10,000,000**
Others	19 October 2010	20 October 2010 to 19 October 2013	Immediate on the grant date	0.163	**234,190,000**	**—**	**—**	**234,190,000**
Total					**244,190,000**	**—**	**—**	**244,190,000**

For the year ended 30 June 2011

					Number of share options			
Capacity	Date of grant	Exercisable period	Vesting period	Exercise price HK$	Outstanding at 1.7.2010	Granted during the year	Exercised during the year	Outstanding at 30.6.2011
Directors	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	25,340,000	—	(25,340,000)	—
Others	23 February 2010	24 February 2010 to 23 February 2013	Immediate on the grant date	0.158	169,850,000	—	(159,850,000)	10,000,000
Others	19 October 2010	20 October 2010 to 19 October 2013	Immediate on the grant date	0.163	—	234,190,000	—	234,190,000
Total					195,190,000	234,190,000	(185,190,000)	244,190,000

34. SHARE OPTION SCHEME (continued)

The weighted average closing price of the Company's shares immediately before the dates on which share options were exercised during the prior year was HK$0.173 per share and their weighted average remaining contractual life was 1.29 years (2011: 2.3 years).

At the end of reporting period and the date of the approval of these financial statements, the Company had 244,190,000 share options outstanding under the share option scheme, which represented 8.2% of the Company's shares in issue as at the end of reporting period. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 244,190,000 additional ordinary shares of the Company and additional share capital of approximately HK$12,210,000 and share premium account of approximately HK$27,543,000 (before issue expenses).

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

35. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees.

Pursuant to the PRC government regulations, the Group is required to contribute to a central pension scheme in respect of certain of the Group's employees in the PRC based on a certain percentage of the salaries of those employees and there is no forfeited contribution under the central pension scheme.

The retirement benefits cost charged to the profit or loss represents contributions payable to the schemes by the Group at rates as specified in the rules of the schemes.

During the year, the Group made retirement benefits scheme contributions of HK$2,703,000 (2011: HK$2,327,000).

36. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, during the year, the Group entered into the following transaction with a related company:

	2012 **HK$'000**	2011 HK$'000
Operating lease rental expense on motor vehicles	**955**	1,276

One of the directors of the above related company is a close family member of a director of the Company's subsidiary.

The above transactions were determined with reference to the terms mutually agreed between the Group and the relevant parties. Further details of connected transactions of the Group are set out in the directors' report.

Compensation of key management

The key management of the Group comprises all directors and the five highest paid employees, details of their remuneration are disclosed in Note 8.

37. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 26, bank balances and cash in Note 24 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in the consolidated statement of changes in equity.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of management, the Group will balance its overall capital structure through new share issues as well as the issue of new debt or redemption of existing debts.

The gearing ratio at the end of reporting periods was as follows:

	2012 HK$'000	2011 HK$'000
Debts	**62,195**	83,855
Bank balances and cash	**(288,212)**	(307,678)
Net debts	**(226,017)**	(223,823)
Equity	**588,792**	639,781
Net debt to equity ratio	**N/A**	N/A

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 30 June 2012 and 2011 may be categorised as follows:

	2012 HK$'000	2011 HK$'000
Financial assets		
Convertible note designated as at fair value through profit or loss	—	4,917
Derivative financial assets at fair value	—	68
Financial assets at fair value through profit or loss	**134,045**	95,086
Loans and receivables (including bank balances and cash) at amortised cost	**370,856**	489,229
Financial liabilities		
Derivative financial liabilities at fair value	**2,948**	20,999
Financial liabilities at amortised cost	**88,013**	115,542

Financial Summary

RESULTS

	Year ended				
	30 June 2012 HK$'000	30 June 2011 HK$'000	30 June 2010 HK$'000	30 June 2009 HK$'000	30 June 2008 HK$'000
Turnover	**311,872**	379,087	324,966	1,197,276	3,075,921
(Loss)/profit before taxation	**(52,789)**	(46,205)	(166,473)	(360,696)	22,308
Taxation	**(308)**	(514)	13,039	35,360	(11,354)
(Loss)/profit for the year	**(53,097)**	(46,719)	(153,434)	(325,336)	10,954
(Loss)/profit attributable to:					
Owners of the Company	**(53,097)**	(46,719)	(152,810)	(322,603)	10,663
Non-controlling interests	**—**	—	(624)	(2,733)	291
	(53,097)	(46,719)	(153,434)	(325,336)	10,954

ASSETS AND LIABILITIES

	At 30 June				
	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Total assets	**680,875**	777,714	771,442	578,234	1,546,321
Total liabilities	**(92,083)**	(137,933)	(140,764)	(181,108)	(839,148)
Shareholders' funds	**588,792**	639,781	630,678	397,126	707,173